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ABSTRACT

To determine whether the poverty which afflicts between 50% and 60% of Mexico's population can be described in an ideologically neutral perspective, the paper formulates ten questions about political and economic issues which are sensitive to both capitalist and Marxist theorists. The questions concern: (1) the balance between food supply and demand; (2) relative growth rates of the population, industry, and agriculture; (3) private ownership of production; (4) unemployment and underemployment statistics; (5) employment trends; (6) trends in land reform and capital concentration since the Revolution of 1910; (7) business profits and rates of return on foreign investment; (8) business cycles; (9) the relationship between business cycles and unemployment; and (10) the relationship of poverty to unemployment and underemployment. Discussion of each question generally involves the statement of a general picture based upon available information, a brief literature review, conjecture based upon historical trends, and conclusions suggested by the data. Analysis of data on these issues indicates that poverty in Mexico results from complex social, economic, and political factors such as exploitation of labor, heavy foreign investment, a markedly differentiated class system, and rapid population growth. The conclusion is that it is possible to gain knowledge concerning politically sensitive issues despite ideological influences. (Author/DB)

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THE DEMOGRAPHY AND POLITICAL ECONOMY OF MEXICAN POVERTY: CONCLUSIONS

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THE DEMOGRAPHY AND POLITICAL ECONOMY OF MEXICAN POVERTY-CONCLUSIONS

Does poverty have its source in overpopulation, as Malthus claimed? Or is it rooted in capitalist exploitation of labor, as Marx maintained? Close study of the basic points at issue between these opposing theoretical perspectives led to a sharp focus on eleven questions. Formulation of these questions was followed by an effort to answer them within a suitable, historically specific setting. Mexico was selected for study due to the sharp polarization found within that setting of the key variables at issue in the study: scarcity and exploitation. To Malthus, overpopulation generates scarcity, which in turn accounts for poverty. To Marx, private property over the means of production makes possible the exploitation of living labor, through the expropriation of surplus value produced by labor, and this exploitation is, in turn, the source of poverty. Mexico was known to have one of the fastest rates of population growth in the world, also one of the most unequal patterns of income distribution in the world. The present essay is an effort to sum up the conclusions which can be drawn on the basis of this study.

The first of the eleven questions seeks to establish the extent to which poverty might be said to exist in Mexico, and in so doing establishes the magnitude of the problem in need of explanation. The remaining ten questions focus attention on the basic issues the opposing perspectives address themselves to. The questions are: What portion of the Mexican population lives at or below the margins of subsistence? What

is the balance of forces between population needs and means of subsistence? What are the respective rates of growth of reproductive and productive forces, past, present, and predicted, and why? What specific form does private property over the means of production take in Mexico? What portion of the Mexican population is unemployed or underemployed, and why? What are the trends in unemployment and underemployment, past, present, and predicted? What are the trends in land and capital concentration in Mexico? What are the trends in income derived from profits and rents? What relation is there between the latter trends and the incidence of business cycles? What relationship is there between business cycles and the size of the unemployed labor froce? What is the relationship between the unemployed labor force and the population living below the level of subsistence?

Portion of the Mexican Population Living at or Below Subsistence Levels. Close consideration and criticism of various estimates of the size of the population living at or below subsistence indicate that somewhere between 50 and 60 percent of the total population lived under those conditions in 1960 and 1970. It also shows a tendency for the life conditions of that population to deteriorate in relative terms, and to improve somewhat in absolute terms. The latter is particularly true among those sectors of the total population higher up in the income scale (Sosa 1964: 277, González Casanova 1970: 109, Guzmán 1973: 20, Banco Nacional de Mexico 1970b: 11-12). Disagreement across sources hinges on varying concerns with bare biological subsistence and with life-style subsistence. The

former view tends to underestimate while the latter tends to overestimate the size of the population living below subsistence. This study assumes that subsistence of both types varies over a range, and that there is a segment of the population where the two forms overlap. An estimate of 50 percent of the population living at or below subsistence would err on the safe side.

Balance of Forces Between Population Needs and the Means of Subsistence. On or about 1961, Ana María Flores reported 15 percent of Mexico's population to be hungry (Rodríguez 1966: 11). The following minimum standards of daily food consumption for underdeveloped countries were recognized by the United Nations' Food and Agricultural Organization in 1967. Calories: 2600, total proteins: 75 grams, animal proteins: 25.0 grams (Banco Nacional de Mexico 1970a: 165). By 1974 the required minimum daily supply of calories was revised downwards so that 2,325 were regarded as being 100 percent of the minimum daily requirements. The average daily supply of calories available in Mexico during the years 1960-1962 exceeded the 1967 FAO minimum by 10 calories, and the 1974 FAO minimum by 285 calories. In 1960-1962 the average daily supply of proteins from all sources available *per capita* fell short of the 1967 FAO minimum by 3 grams, while the same figure for 1967 exceeded the same 1967 standards by 1 gram. The average daily *per capita* supply of animal proteins in 1960-1962 fell short of the 1967 minimum by 2.6 grams, while the same figure in 1967 showed a deficiency of 2.1 grams The 1967 figures show a plentiful *per capita* supply of vitamins and minerals with the following exceptions. Vitamin A and riboflavin were each short by 1 milligram. Vitamin C was short 20 milligrams *per capita* (Banco Nacional de Mexico 1970a: 165, FAO 1975: 140).

Estimates of the extent of undernourishment in Mexico vary from 80 percent to 50 percent of the total population (Suarez 1962: 380-381, NACOLA 1973:4). The conclusion warranted here is that the magnitude of the population reported hungry and undernourished is far out of proportion to the actual shortages. Part of the problem lies in that twice as much meat per capita is consumed in the Federal District as in the rest of the country. Also, part of Mexico's protein supply is exported: 762.3 million pesos worth of dairy products, eggs, fish, seafood, and honey in 1968. In 1968-1969 Mexico exported 678,000 head of cattle, and about 30 million kilograms of processed meat. Further, during 1968-1969 Mexico exported 919 million pesos worth of fruits and vegetables, and 780.7 million pesos worth of cereals, grains, starches, and flour.

Approximately two-thirds of Mexico's 1970 population was reported to be lacking in direct medical attention from either private or public sources. The reluctance to spend nearly half the Federal funds already appropriated for medical service construction during the Sixties suggests, at the very least, official complaisance with existing health standards.

About a fourth of Mexico's population older than 10 years was still illiterate in 1970. Three-fifths of the economically active population had less than three years schooling, and only about fifteen percent of that population had completed the sixth grade. Only about 2.1 percent of Mexico's gross internal product was spent on education in 1965. This compares to 3.3 for Argentina and 5.6 for Cuba at that same time.

Close to two fifths of Mexico's houses had the following characteristics in 1970. They were one room shacks with dirt floors; walls made mostly of adobe, mud, and makeshift materials; roofs made of wood, palm leaf thatching and similar materials; they were totally lacking in electricity and plumbing; cooking was done with wood or charcoal. About three in five houses lacked sewers and drainage. Close to seven out of ten houses had less than two rooms and lacked bathrooms. Nearly half of Mexico's housing units were renter occupied. Indications are that nearly two-thirds of the economically active population is excluded from the possibility of having a sanitized, secure, and livable house built by private developers.

Relative Growth Rates of Population Needs and of Means of Subsistence. The results of this study make clear that what is involved in the relation between population growth and means of subsistence is not an immediate one-to-one relation between population growth and means of subsistence. Rather, the relation is mediated by the whole body of institutionalized practices, ideological assumptions, and geo-political concerns which play a role in formulating the policies of the administration in power.

The Díaz regime (1877-1910) followed a policy of promoting industrialization through heavy reliance on foreign investments and on the sale of export crops abroad to provide a source of foreign exchange. The growth of export crop production was encouraged by promoting the growth of large landed states. This policy was implemented through the so-called Surveying

Laws which were instrumental in rendering 90 percent of the inhabitants of Mexico's Central Mesa landless. Over 51 percent of total investments in 1902-1903 came from abroad, and less than a fourth of the investable public funds were actually invested. Mexico was ruled by a coalition of local and foreign elites who were committed to spreading the gospel of Comtean and Spencerean positivism, and who attempted to rule Mexico according to their tenets. Positivist freedom became the freedom to self-enrichment. The "scientific" skills of these positivist cientificos showed up primarily in the way in which land and capital concentrated in a few hands. Foreign interests controlled 42 percent of the country's wealth. Seventy-five percent of the railroads, 64 percent of the minerals, and 58 percent of the petroleum was owned by foreign interests, mostly U.S. based. Mexicans took to speaking of their country as "the mother of foreigners and the stepmother of Mexicans."

The past century of Mexican history shows that periods of relatively low rates of population growth have been accompanied by declining rates of growth in food production, while periods of relatively rapid rates of population growth have been accompanied by even more rapid rates of growth in food production.

The years of the Díaz administration were years of relatively low rates of population growth. During the latter phases of this interval this rate averaged approximately 1.5 percent per year. In 1910, the year of the revolutionary outbreak, it stood at 1.1 percent per year. Nonetheless, crop production per capita declined at an approximate rate of eight tenths of a

percent per year throughout the Díaz regime. The production of food crops such as corn, beans, and wheat was declining. Corn production alone dropped from 282 kilograms to 144 kilograms per person during the three Díaz decades. Data specific to Puebla which was found to prevail elsewhere indicated that during those same years wages increased by 50 percent, while the price of corn increased by 200 percent, and the price of chile increased by 800 percent. Close to one in three infants born alive died, chiefly from the results of parasitic and infectious diseases which are primarily associated with hunger, malnutrition, and general conditions of poverty. "Order" among the hungry, the ignorant, the sick, the destitute was kept through the police, particularly the rural police, and through the jails, the army, and the confession booth. In the meantime, while total crop production was growing at a rate less than half as fast (6 tenths of a percent per year) as the rate of population growth, the rate of growth of crop production for export was increasing at a rate four times faster (6 percent per year) than the rate of population growth. The production of such farm exports as cotton, sugar, tobacco, cattle, and tomatoes was increasing at a per capita rate of 4.6 percent per year.

The constitution of 1917 laid the legal foundations for the reforms of the late Twenties and Thirties, and the forces of reform took their greatest impetus during the administration of Lázaro Cárdenas. The years from 1910 to 1940 were years of revolution, depression, and reform. Mexico's population

increased at an average rate of nine-tenths of a percent per year throughout this interval. During the revolutionary decade (1910-1920) the population actually declined by close to 6 percent. Real per capita crop production throughout these years grew at a very slow average rate of two-tenths of a percent per year. Between 1907 and 1925, per capita agricultural production actually declined at an average rate of one-tenth of a percent per year. This decline was due to the neglect and ravages of agriculture during the armed struggle.

Close to a third of the total land area redistributed between 1915 and 1964 was redistributed during the Cárdenas administration (1934-1940). Among the other distinctive acts of this administration we find: nationalization of oil industries, establishment of new credit institutions, Mexicanization of insurance companies, and a heavier reliance on internal sources of public funds for investment purposes. Also, the purchasing power of the minimum salary was higher in 1939-1940 than in any other subsequent year up to and including 1964. Finally, the relative shares of income paid in the form of wages and salaries during the last two years of this administration are high by comparison to those paid in subsequent years.

The years between 1940 and 1970 were years of recovery and of industrial development for the Mexican economy. They were also years of rapid population growth. Between 1940 and 1970 Mexico maintained a rate of growth in food production fast enough to permit a steady increase in per capita food production throughout the interval, despite a fairly rapid average rate of population increase during the interval.

Between 1940 and 1960 the average rate of population increase might be placed at 2.5 percent per year. During the same interval, food production grew at a rate of 5.6 percent per year -- a rate better than twice faster than the average rate of population increase. The index of food production per capita rose steadily between 1960 and 1973, except for a slight decline in 1972, a decline too unusual to indicate a trend. The figures also indicate that the index of food production per capita increased at a rate considerably slower than the rate of increase in total food production (FAO 1970: 232, FAO 1974: 165). Mexico continues to promote agriculture for export. Crop production for export rose at an average rate of 8.7 percent per year between 1940 and 1960.

Mexico's experience during the years 1940 and 1970 indicate that food production can increase from two to three times faster than its population, even when such population is doubling during the same interval. Such rapid rates of increase in food production are clearly due to changes of a political, legal, and technological nature, all of which have tended to foster such increases despite the relative barrenness of the soil and climate. Nonetheless, some 15 to 24 million hectares of potentially useful land were reported to be available (subject to prior improvement through irrigation, drainage, etc.) at about the same time when 15 percent of the population was reported hungry.

Even if it were possible to show that some of Mexico's hunger and malnutrition has its source in diminishing returns on added

units of capital investment, the question would still remain as to how it happends that the increases which do take place are distributed unequally. The ejidal lands are probably as productive as the privately held lands, but at the cost of labor intensive techniques. Indeed, the evidence indicates that the ejidal system was fostered to rescue the latifundio system from its expansionist and despoliative tendencies, and not to promote efficiency of production. On the other hand, the productivity of the modernized, private, sector lies not in its privacy, but in the fact that larger units are more likely to muster the capital and the resources needed to acquire and to make optimum use of technology. The idea of "haciendas without hacendados" has yet to be tried in Mexico.

If patterns of population growth and of food production and distribution prevailing in 1970-1975 continue, there will be a doubling of the hungry and undernourished population by the middle 90's. The possibility that food output will be more than doubled does exist, but is becoming more problematic. The dangers of salinization, sinking water tables, overgrazing, soil erosion, floods, will have to be considered. The shrinking supply of fossil fuels will become more and more problematic.

Mexico faces compound and growing problems in meeting the health, housing and educational needs of its population. The growing need for medical services has been estimated to require an annual investment of 42 million dollars. If present deficiencies, future deterioration, and growing housing needs are

considered, Mexico will have to build one and one half times as many houses by 1980 as it had in 1969, leaving aside the question of housing quality and distribution. Existing restrictions on Mexico's capacity to invest in education make it highly unlikely that the extent of the population's participation in education can be expanded. Yet, growing industrialization will require some such expansion.

Specific Form Which Private Ownership Over the Means of Production Takes in Mexico. Although the language of the constitution of 1917 is at times radical: "Property is the right of a man to the products of his personal work," the full implications of the conception of property as a concrete social function, as contrasted to an abstract private right, were not worked out in full (for such an effort see: Jordan, 1927). The main thrust of Article 27 is promulgation of the supremacy of public over private interests, and a rejection of laissez faire economics (Carmona 1970: 57-59)

A number of changes and reforms were carried out under the provisions of this law, among them: land reform, nationalization of petroleum, railways, and electric power stations; restrictions on foreign ownership of land, subsoil, and minerals; state efforts to limit tendencies toward monopolistic concentration; etc. During the interval from the administration of Carranza to Cárdenas efforts were made to reduce the extent of foreign indebtedness and to minimize reliance on foreign sources of investments. However, the administration of Ávila Camacho (1941-1946) marks the beginning of a reversal of this trend.

A number of industrial and commercial concerns are reported to be disguised branches of U.S. enterprises (Zamora 1960: 358).

Portion of the Mexican Population Unemployed or Underemployed and Why. Statistics on unemployment and underemployment in Mexico are difficult to find and those that are found are of a dubious nature. Official figures on unemployment in particular are implausibly low: 1.0 percent for 1970 (Banco de Mexico 1971c: 156). Data for a single year (1950), when statistics for both unemployment rates and for the total contingent of braceros and "wetbacks" apprehended are available, indicate that the unemployment situation is much worse than official figures indicate. The percentage relation between the size of this migratory labor force and the size of the economically active population is 7.5 times larger than the reported unemployment rate.

For a number of reasons it is best to consider both unemployment and underemployment to properly assess the magnitude of the problem. Among them: the large number of infra-subsistence ejidal and private holdings, the large contingent of seasonally-hired field hands, and the many forms of marginal unemployment and "hustling" in commerce, services and manufacturing. Recent estimates of the size of this combined contingent vary from 19 percent to 40 and even 50 percent. The "revolution", such as it was, has tended to institutionalize underemployment, low productivity and poverty. The international economic crisis is compounding the problem.

Trends in Underemployment and Unemployment: Past, Present and Predicted. The available figures on total unemployment and underemployment for 1950 and 1960 are 17.6 and 18.2 percent, respectively. These figures are of little use in assessing trends.

According to one estimate (Fisher 1964: 190) population growth alone added 300,000 new job seekers to the market between 1950 and 1960. This figure is estimated to have risen to 800,000 per year between 1970 and 1980 (Banco de Mexico 1970b: 13). However, it would be a mistake to take these figures at face value. Closer examination reveals that the former figure corresponds very closely to the 1950 population of fifteen year old males (284,086). Further, a certain proportion of the available jobs must be vacated through retirement and death. Approximately 50,000 males reached retirement age in 1950. To these must be added roughly 100,000 males aged 15 to 65 who were removed by the death rate. If each of these retirements and deaths had vacated jobs, and we must assume that a large proportion of them did so, then the total number of new jobs needed in 1950 would be cut by close to half the original figure: by approximately 150,000.

On the exploitation side of the question there is some evidence to show that increases in productivity are making for job attrition and displacement. Fisher reports a 29 percent decrease in employment in textiles coupled with a 177 percent increase in the value of textile production. Also, an 84 percent increase in employment in steel production was

accompanied by an 876 percent increase in the value of steel production (Fisher 1964: 195) Increases in productivity alone are reported to have eliminated approximately 200,144 jobs in manufacturing between 1950 and 1960 (Trejo 1970: 114-118).

The same processes have had similar effects in agriculture. Costs of production on account of machinery rose from 6 percent in 1940 to 11 percent in 1960. During the same interval expenditures on salaries declined from 22 percent to 7 percent. Agriculture's share of the economically active population declined from 70 percent in 1940 to less than 50 percent in 1970. Between 1940 and 1950 alone some 480,000 workers were transferred from agriculture to other sectors (Reyes 1971: 178-180).

If one were to venture the guess that 200,000 to 300,000 workers were displaced in the commercial and service sectors between 1950 and 1960, one would arrive at a figure of close to one million jobs eliminated during the Fifties -- a rate of about 100,000 a year. The creation of underemployment by increases in productivity would complicate the picture further: the number of effective days worked by 3.5 million workers is reported to have declined from 194 to 100 days between 1950 and 1960 (Banco 1973: 169).

We are left with the conclusion that approximately 150,000 new jobs were made necessary by population growth each year during the Fifties, and that approximately 100,000 jobs per year were being eliminated by increases in productivity during those years. Thus, for every three jobs made necessary by population growth, two jobs were eliminated by increases in

productivity. Only 13 percent of the economically active population in 1950 were females. It is unlikely that female unemployment and underemployment would significantly alter this picture within the limits of accuracy permitted by the data.

These data suggest another conclusion: the process of urbanization under capitalist forms of control is a process which creates unemployment and underemployment faster than it creates employment. That is, under capitalism, the economy of action made possible by the application of science and technology is transformed into a process of displacement and attrition of jobs and salaries.

Trends in Land and Capital Concentration in Mexico. Despite the program of reforms implemented since the Revolution, Mexico remains a country where a relatively small number of persons and corporations control most of the land, wealth, and income of the country.

Most of the best farming and grazing lands are concentrated in a few hundred vast states which are under the control of politicians, bankers, merchants, and industrialists. Sixty-one percent of the total farm acreage was still in private hands in 1960, and 1 percent of the total number of haciendas accounted for 75 percent of the total land area held in private hands. Despite a far ranging program of land reform which redistributed 70 million hectares of land by 1970 (about 190 million acres), the authenticity of both, the program of land reform itself, and of public commitment to the body of law underlying the reform has been questioned (Reyes 1969, Carmona 1970).

The concentration of capital in manufacturing, commerce, and services in 1965 was quite high. One and one-half percent of the total number of manufacturing establishments accounted for 77 percent of the total product. Sixty percent of total capital and 60.4 percent of the total gross income in commerce was controlled by 1.3 percent of the establishments. Sixty-four percent of the invested capital and 54 percent of the total income in the services was controlled by 1 percent of the establishments.

In or about 1962, approximately 50 percent of the income received by the 2,000 largest enterprises accrued to the 100 largest corporations. Seventy seven percent of that same income accrued to the 400 largest corporations. Among the 400 largest enterprises 161 were under foreign control and 71 showed strong foreign participation. By contrast, 36 of the 400 largest enterprises were under Mexican State control. About 42 percent of the total income of the 2,000 largest corporations accrued to the corporations showing either foreign control or strong foreign participation. By contrast, the 36 largest state enterprises accounted for 19.2 percent of the same income (González Casanova 1970: 211).

The high degree of foreign control and influence in the Mexican economy suggests that fluctuations in that economy are heavily conditioned by international economic fluctuations, and that these fluctuations are magnified by the dynamics of the Mexican economy.

The process of capital concentration is primarily an urban phenomenon; that is, capital concentration is the very stuff the process of urbanization under capitalist forms of development is made of. The evidence can be seen most clearly in the Federal District which in 1965 showed 320 percent more production per inhabitant than the rest of the country. Mexico's institutions of private credit showed the Federal District to have the following characteristics in 1967: it accounted for 1,152 percent more total resources per inhabitant, 200 percent more capital reserves, and over 90 percent as many visible cash deposits as the rest of the country. Yet, the Federal District accounted for 17 percent of the country's population in 1970 (Carmona 1970: 42).

Trends in Income Derived from Profits and Rents. Data on profits in any form tend to be scanty and fragmentary. In particular, the type of data which could be useful in verifying the Marxian theory of the falling rate of profit are extremely difficult to come by.

Data which state profits as a percent of total annual income show a steady rise from 26.2 percent of total income in 1939 to 45.1 percent in 1946. This is followed by erratic fluctuations around 41 percent between 1951 and 1955, and by a steady decline to 36.5 percent by 1959. Now, if commercial profits are seen as a percent of total profits we find that commercial profits varied from 53 percent in 1939 to 61 percent in 1950 (Singer 1969: 136, 139).

The same source indicates that incomes from rents and interests showed an overall decline from slightly over 8 percent of total income in 1939 to about 6.4 percent in 1954.

Somewhat more complete data covering the interval 1939-1960 (Gonzalez Casanova 1970: 222) show that incomes from capital ranged from a third to one half of total annual income. Incomes from labor ranged between slightly over a fifth to slightly less than a third of total income. Mixed incomes and incomes imputed to the self-employed ranged between slightly over a fourth to a third of total income. The latter showed an overall downward trend which seems to be indicative of the growth of large scale industry and of decline in the self employed sectors.

In Marxian theory the rate of profit is a percentage ratio of surplus value to total capital, i.e., capital which includes both its fixed component (plant and equipment) and its variable component (wages, salaries, etc). The rate of profit typical to Mexico has been estimated at 20 to 25 percent (Aguilar Monteverde 1967: 74; Singer 1969: 109). Aguilar has noted that it is not unusual for such profits to rise as high as 30 percent of the annual invested capital. Indeed, recent reports are that business profits have been averaging 30 percent, and that the government has served notice that those rates are too high (Riding 1976: 1, 3). These figures do convey an idea of the profitability of invested capital in Mexico, but they are of little use in assessing trends.

Unfortunately, the data which is most suitable for a trend analysis falls short in some respects and contains a number of inaccuracies of an arithmetical nature which we have attempted to correct (Solís 1972: 205). These data include

estimates of the value of fixed capital in absolute terms, an estimate of the surplus value arising from its operation which is also in absolute terms, and a ratio of the former to the latter. Solís does note that some of the value of the latter arises from living labor. The data covers an eighteen year interval from 1950 to 1967, and has been converted to the form of running averages by three-year intervals to give a better idea of the trend. To stress the fact that there is doubt about the extent to which variable capital is represented in the figures, the ratio in question will be retained in the form of a ratio, and will be referred to as "the ratio of profit to fixed capital" rather than as "the rate of profit" in the Marxian sense. If each running average is located at the middle of each three year interval the trend reads as follows:

TABLE 26
ANNUAL RATIO OF PROFIT TO FIXED CAPITAL

YEAR	RATIO	YEAR	RATIO
1951	.30	1959	.24
1952	.29	1960	.24
1953	.28	1961	.25
1954	.27	1962	.25
1955	.27	1963	.25
1956	.27	1964	.25
1957	.26	1965	.24
1958	.25	1966	.23

The data show a gradual but fairly steady decline in this ratio, from a high of .30 in the early Fifties to a low of .24 at the end of the decade. At the turn of the Sixties there was a slight increase from .24 to .25, which was sustained for four years, and which was followed by a decline to .23 by the end of the interval covered by the data. Concerning the accuracy of the data, efforts to correct it leave uncertainty only

about 1965 (unless, of course, other errors preceded the table) where the raw data yield a profit ratio of .32, while Solis records a ratio of .24. The .32 figure represents such an extreme variation as to suggest an error in transcribing the raw figures after the ratio was worked out.

Figures provided by Singer suggest that the rate of return on foreign investments tends to be lower than the rate of return from native sources. In particular, the reported rate of return on total foreign investments between 1939 and 1958 seems relatively low, averaging 7.6 percent, with a low of 3.4 percent in 1940 and a high of 13.1 percent in 1951. The reported rate of return on foreign investments in manufacturing is somewhat higher, averaging 13.1 percent, with a high of 18.6 percent in 1943 and a low of 8.8 percent in 1958 (Singer 1969: 109). These data were checked out against two other sources of data for the years 1950-1957. Estimates on these bases indicate that Singer's data might underestimate average profits on total foreign investments by as much as 2.15 percent (Padilla 1969: 168-169; Gonzáles Casanova 1970: 109).

Relationship Between the Trend in Profits and the Incidence of Business Cycles. The falling ratio of profits to fixed capital was accompanied by a moderate tendency for net investments to fall and for productivity to rise. Estimates 1 and 2 (Aguilar 1967: 49) of net investments were correlated to the profit ratio, and "r" coefficients were obtained for both trend data and raw data. Trend data yielded correlations of +.76 and +.64 respectively. Raw data yielded correlations of +.39 and +.36

respectively. A correlation coefficient of -.71 was found between the profit ratio and the productivity index in manufacturing for the years 1950-1958. The preceding lends moderate support to the Marxian view that as productivity increases with every increase in the total mass of accumulated capital, a point is reached where increasing units of investment in fixed capital yield progressively smaller increases in productivity and a declining rate of profit. Moreover, data on real wages indicate that during an interval when productivity nearly doubled (1940-1960) real wages declined by about 10 percent (Editorial 1963: 349; Singer 1969: 156).

If a comparison is made between the profit ratio and the rate of growth of the gross national product by five year intervals from 1950 to 1965 we find that the overall trend of the former is downward, while that of the latter is one of stagnation at about 6.3 percent per year.

TABLE 27

YEAR	PROFIT RATIO	YEAR	RATE OF GROWTH OF THE GNP
1951-1954	28.6	1950-1954	6.3
1955-1959	25.8	1955-1959	6.3
1960-1964	24.8	1960-1964	6.4

The GNP growth rate figures were obtained by averaging data from four different sources. With one exception, all of these estimates are within one percent of one another (Banco 1971b: 226; Reynolds 1970: 22; Padilla 1969: 154-155; Centro 1970: 215).

Rising absolute levels of both private and public investment were found to be highly intercorrelated with rising absolute levels or gross national production, with the public sector showing the greatest correspondence. A r .98 coefficient of correlation was found to exist between the absolute level of public investments and the absolute size of the GNP in Mexico during the years 1939-1965. This impressively high coefficient suggests that the public sector exerts an influence on growth which is far out of proportion to its relative size. A r .81 coefficient of correlation was found to exist between the absolute level of private investment and the absolute size of the GNP during the same interval (Padilla 1969: 176-177).

Throughout the interval 1939-1954 the ratio of investments to profit remained at a relatively constant level: about .20. Concerning later trends Singer notes (Singer 1969: 181):

> . . . The combination of inflation, exceedingly favorable profits, and the rising inequality in income distribution that occurred from 1939 to the mid-fifties proved to be a wasteful way of inducing savings. . .Profit recipients apparently allocated one-fifth of their incomes to investment and the remainder

to consumption. The economy tolerated a situation in which over 30 percent of the national income was directed to satisfying the consumption needs of profit earners in order to encourage them to invest at a rate not exceeding 10 percent of the GNP. These circumstances did not alter in later years.

The years of high net investment levels were years of relative high shares of income derived from profits rather than years of increasing investments to profits ratios. Correlation coefficients worked out for a fifteen year interval (1940-1954) where data on relative incomes from profits, net investments, and investments to profit ratio are available yielded the following results.

TABLE 28

NET INVESTMENTS (o/o)

	Estimate 1	Estimate 2
Profits as o/o of Annual Income	r = +.84	r = +.87
o/o of Total Profits Invested	r = +.23	r = +.21

Practically no correlation was found to exist between the ratio of investments to profits and the percentage share of annual income paid in the form of profits: a weak -.12. (Singer 1969: 182, 136; Aguilar Monteverde 1967: 49).

The relatively constant GNP growth rates during the years 1951-1964 are more likely to have been sustained by increases in the productivity of both accumulated labor and living labor than by any increases in the investment -- profit ratio. The public sector's power to influence growth through public investments is also likely to have been a factor.

Mexico's balance of trade -- 80 percent of which takes place with the U.S. -- is very highly intercorrelated with the falling ratio of profits to fixed capital. Trend data on the absolute size of the trade deficit and on the ratio of profit to fixed capital yielded a -.93 coefficient of correlation. Raw scores for the same variables yielded a lower -.79 correlation coefficient. These findings indicate that there is a general

tendency for the rate of profit to decrease as the magnitude of the trade deficit increases (Padilla 1969: 157).

Relationship Between Business Cycles and the Size of the Unemployed Labor Force. For several reasons it is not possible to deal fruitfully with this question under the specific conditions we are studying: the data are scanty, fragmentary, and of a dubious nature.

Relationship Between the Unemployed Labor Force and the Population Living Below the Level of Subsistence. For reasons already stated any effort to understand the unemployment situation in Mexico must also deal with underemployment.

A cautious estimate of the relative size of the unemployed and underemployed population in 1970 Mexico is 20 percent. At this rate, approximately 10.8 million people would have been living under conditions where unemployment and underemployment were the dominant influences in 1974. However, recent indications are that the decade of the '70's has brought forth a steady and serious deterioration of the unemployment and underemployment situation so that the actual situation is very likely considerably worse than above indicated.

The unemployed and underemployed population consists of those people whose relative income decreased from 6 percent to 4 percent of the total annual income between 1950 and 1969, and whose deaths "from unknown causes" are most likely to hide hunger and malnutrition, since they are the most likely to experience both on a daily basis. These are the people who constitute the bulk of Mexico's remaining illiteracy problem.

They are people who are most likely to contract illnesses and least likely to receive medical help of any type. They are the people who would count themselves lucky if they had a rented one-room shack with a roof over their heads. They are also the people most likely to be pot-bellied in childhood, to be inattentive to any learning which requires much effort, and to become prematurely old. Also, they are the ones who are most likely to live at the margins of society as both victims and perpetrators of every form of degradation and baseness the underworld of misery has in store for them.

To this 20 percent we must add at least another 30 percent -- 16.2 million people in 1974 -- who together make up the bottom half of the population who are poor. This 30 percent consists of those people whose hunger is more likely to be palliated than satiated by means of unbalanced diets heavy with starches and fats. They are more likely to be malnourished. These are the people whose formal education seldom carries through the third grade. Only one in three of them might live in something less crowded than a one-room rented shack: two rooms, without running water, toilets or electricity. The rest of them must be satisfied with one-room houses with dirt floors, walls built of adobe, mud or other makeshift materials, thatched roofs, etc. Medical attention for these people is also out of reach, though they are more likely to have access to drugs, vaccines, etc. This is the 30 percent whose relative share of national income decreased from 13 to 11 percent of total income between 1950 and 1969.

All of these taken together are people whose entire lives tend to be an education in the pseudo-art of survival: "making it". They must somehow learn to steer clear of the rent man, the tax collector and the bill collector, or to at least keep them at bay. They are the people who live under the shadow of fate, and who capitulate to her sway by unwittingly defining the situation in the only terms they can conceive; i.e., the terms of her establishment: adjustment. These are people who implicitly feel that human life is a possibility for something different and who long for a higher existence. They are people who cannot, to any significant extent, rise as a people because the burden of the established institutions and the dead weight of the ages is on their backs. They are people whose eyes are veiled by the search for individual salvation and who in seeking it create the assurance that the more things change, the more they will remain the same. It is to them that the world of class exploitation and the lie of the ages preach that they have no one but themselves to blame for their poverty.

The preceding conclusions suggest that data gathered under the guidance of concepts which are taken from ideologically opposing theoretical perspectives on poverty, do provide evidence for assessing the relative explanatory power of those theories. Thus it is possible to arrive at knowledge concerning ideologically sensitive issues despite the influence of ideology on political perspectives.

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